



July 19, 2013

Ollie Hilliard, President
Jay's Technical Institute
9000 West Bellfort, Suite 110
Houston, Texas 77031-3509

Certified Mail
Return Receipt Requested
7012 3460 0001 9207 5544

RE: **Final Program Review Determination**
OPE ID: 03680300
PRCN: 201030627229

Dear Ms. Hilliard:

The U.S. Department of Education's (Department's) Dallas School Participation Division issued a program review report on February 25, 2011 covering Jay's Technical Institute's (JTI's) administration of programs authorized by Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2008-2009 and 2009-2010 award years. JTI's final response was received on February 7, 2012. A copy of the program review report (and related attachments) and JTI's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by JTI upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Purpose:

Final determinations have been made concerning all of the outstanding findings of the program review report. The purpose of this letter is to: (1) identify liabilities resulting from the findings of this program review report, (2) provide instructions for payment of liabilities to the Department, (3) notify the institution of its right to appeal and (4) close the review.

The total liabilities due from the institution from this program review are \$258,759.92.

This final program review determination contains detailed information about the liability determination for all findings.

Federal Student Aid

An OFFICE of the U.S. DEPARTMENT of EDUCATION

1999 Bryan St., Suite 1410, Dallas TX 75201-6817

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. In addition, Appendices B – Institutional File Review Results and G – Cost of Funds Worksheets also contain PII.

Appeal Procedures:

This constitutes the Department's FPRD with respect to the liabilities identified from the February 25, 2011 program review report. If JTI wishes to appeal to the Secretary for a review of monetary liabilities established by the FPRD, the institution must file a written request for an administrative hearing. The Department must receive the request no later than 45 days from the date JTI receives this FPRD. An original and four copies of the information JTI submits must be attached to the request. The request for an appeal must be sent to:

Ms. Mary E. Gust, Director
Administrative Actions and Appeals Service Group
U.S. Department of Education
Federal Student Aid/PC
830 First Street, NE - UCP3, Room 84F2
Washington, DC 20002-8019

JTI's appeal request must:

- (1) indicate the findings, issues and facts being disputed;
- (2) state the institution's position, together with pertinent facts and reasons supporting its position;
- (3) include all documentation it believes the Department should consider in support of the appeal. An institution may provide detailed liability information from a complete file review to appeal a projected liability amount. Any documents relative to the appeal that include PII data must be redacted except the student's name and last four digits of his / her social security number (please see the attached document, "Protection of Personally Identifiable Information," for instructions on how to mail "hard copy" records containing PII); and
- (4) include a copy of the FPRD. The program review control number (PRCN) must also accompany the request for review.

If the appeal request is complete and timely, the Department will schedule an administrative hearing in accordance with § 487(b)(2) of the HEA, 20 U.S.C. § 1094(b)(2). The procedures

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followed with respect to JTI's appeal will be those provided in 34 C.F.R. Part 668, Subpart H. **Interest on the appealed liabilities shall continue to accrue at the applicable value of funds rate, as established by the United States Department of Treasury, or if the liabilities are for refunds, at the interest rate set forth in the loan promissory note(s).**

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. §§ 668.24(e)(1), (e)(2), and (e)(3).

The Department expresses its appreciation for the courtesy and cooperation extended during the review. If the institution has any questions regarding this letter, please contact Shereé Porter at 214-661-9576. Questions relating to any appeal of the FPRD should be directed to the address noted in the Appeal Procedures section of this letter.

Sincerely,

(b)(6)

Cynthia Thornton, Director
Dallas School Participation Division

Enclosure:
Protection of Personally Identifiable Information

cc: Jamie H. Babineaux, Financial Aid Administrator
Texas Department of Licensing and Regulation-Barbering
Texas Department of Licensing and Regulation - Cosmetology
Council on Occupational Education
Texas Guaranteed Student Loan Corporation

Prepared for
Jay's Technical Institute

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OPE ID 036080300
PRCN 201030627229

Prepared by:
U.S. Department of Education
Federal Student Aid
Dallas School Participation Division

Final Program Review Determination

July 19, 2013

Dallas School Participation Division
1999 Bryan Street, Suite 1410, Dallas, TX 75201-6817
StudentAid.gov.

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A. Institutional Information

Jay's Technical Institute
11910 Fondren Meadow
Houston, TX 77071-3509

Type: Proprietary

Highest Level of Offering: Non-degree

Accrediting Agency: Council on Occupational Education

Current Student Enrollment: 130 (2008-2009)

% of Students Receiving Title IV, HEA funds: 98% (2008-2009)

Title IV, HEA Program Participation: Postsecondary Education Participants System

2008-2009

Federal Pell Grant	\$ 516,140
Federal Family Education Loan (FFEL)	\$ 752,225

Default Rate FFEL/DL:	2010	36.7%
	2009	23.9%
	2008	22.0%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Jay's Technical Institute (JTI) from June 21, 2010 to June 25, 2010. The review was conducted by Mr. A. Michael Wade and Ms. Nancy Mapes.

The focus of the review was to determine JTI's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of JTI's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2008-2009 and 2009-2010 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. A program review report was issued on February 25, 2011.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning JTI's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve JTI of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

C. Findings and Final Determinations

Resolved Findings

Finding 8. Entrance/Exit Counseling Deficiencies

JTI has provided sufficient documentation to resolve this Finding. JTI, however, must ensure that Entrance/Exit Counseling is provided to each loan borrower in a consistent and timely manner. Failure to comply with this requirement constitutes a deficiency in the timely notification of borrower rights and responsibilities, which may have a negative impact on the institution's cohort default rate.

Findings 2 and 9

JTI has provided sufficient information and taken the corrective actions necessary to resolve findings 2 and 9 of the program review report. Therefore, these findings may be considered closed.

Findings with Final Determinations

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of JTI's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on February 25, 2011 is attached as Appendix C.

Note: Any additional costs to the Department, including interest, special allowances, cost of funds, unearned administrative cost allowance, etc., are not included in individual findings, but instead are included in the summary of liabilities table in Section D of the report.

Finding 1. Return of Title IV (R2T4) Calculation Errors

Citation Summary:

Federal regulations require that an institution determine the amount of Title IV, HEA assistance a student has earned as of his or her withdrawal date from the institution. If the amount of Title IV, HEA assistance the student has earned is less than the amount disbursed to that student, the difference between these amounts must be returned to the Title IV, HEA programs. The treatment of Title IV, HEA funds may be determined on either a payment period basis or a period of enrollment basis for a student enrolled in a nonstandard, term-based educational program. An institution must consistently use either a payment period or period of enrollment for all students who withdraw from a nonstandard, term-based program and who have attended from the beginning of that payment period or period of enrollment. 34 C.F.R. § 668.22.

Noncompliance Summary:

The Department found that JTI failed to calculate or accurately calculate the return of Title IV (R2T4) funds for all students who withdrew from the institution. JTI used the incorrect "hours scheduled to complete." For example, for student #15, JTI used 450 hours scheduled to complete and 450 total hours in the payment period in its calculation instead of the actual clock hours scheduled to have been completed as of the withdrawal date in the payment period. Similar issues were found for students #3, #5, #6, and #15, which resulted in return of Title IV, HEA funds due to the Department. See Appendix B-1 for the liabilities associated in this finding.

Required Action Summary:

JTI was directed to review the files of all students who withdrew during the 2007-2008, 2008-2009, and 2009-2010 award years, and complete the required R2T4 calculations correctly. JTI was directed to provide copies of the R2T4 calculation performed for each student. Further, JTI was informed that it must review its internal procedures to ensure that all future R2T4 calculations are properly calculated.

JTI's Response:

The institution's initial response, dated July 22, 2011, was incomplete. Although JTI provided a spreadsheet identifying 60 students with a total return amount due of approximately \$62,630.74, the spreadsheet was not a total representation of the 2007-2008, 2008-2009, and 2009-2010 award years as requested. JTI did not provide copies of the R2T4 calculations performed for each student.

In a subsequent response dated February 7, 2012, JTI responded by providing an updated spreadsheet for the 2007-2008, 2008-2009, and 2009-2010 award years, which included copies of the R2T4 calculation worksheets for each student (186 total) with approximately \$129,110.40 reflected in unreturned Title IV, HEA funds (Federal Pell Grant and Loans combined).

Additionally, JTI stated that they have reviewed their internal procedures to ensure that all future R2T4 calculations are properly calculated by creating procedures on how to handle R2T4 calculations. A copy of the updated procedure was provided.

Final Determination:

The Department reviewed each R2T4 calculation worksheet submitted for students who withdrew during the 2007-2008, 2008-2009, and 2009-2010 award years. Based on this review, the Department has been determined that although the revised R2T4 calculations were performed accurately, JTI failed to return the unearned Title IV, HEA funds within a timely manner to the Department and appropriate lenders for 68 students total.

Award Year	Federal Pell Grant	FFEL (Sub & Unsub)
2007-2008	\$ 21,633.44	\$ 20,913.40
2008-2009	\$ 36,823.40	\$ 28,479.19
2009-2010	\$ 18,304.78	\$ 12,801.25
Total Liability	\$76,761.62	\$62,193.84

A calculation has been computed to determine the amount of the interest, known as the Cost of Funds, due on the \$138,955.46 in Title IV, HEA funds that should have been returned. The amount of interest is \$12,740.93 (\$7,614.48 on the loan funds and \$5,126.45 on the Federal Pell Grant funds). Therefore, the total liability to be remitted for this finding is \$151,696.39. The Cost of Funds calculation is included as Appendix F.

Additionally, five students identified in the 2007-2008 file review were eligible to receive post-withdrawal disbursements. JTI did not provide documentation to support the disbursements of

Federal Pell Grant Funds to each eligible student. Therefore, JTI must pay the \$2,967.36 in Federal Pell Grant funds to the five students identified in Appendix B and must provide documentation to the Department, copies of the front and back of the cancelled checks, which reflects payments made to these students.

JTI must notify all borrowers in writing of the amount of loan funds returned on their behalf. This notification must include the amount and date of the payments. A copy of each notification must be submitted in response to this report.

Finding 3. Failure to Document Students' Basis of Admission

Citation Summary:

To receive Title IV, HEA funds, a student must be qualified to study at the postsecondary level. A student qualifies if he/she:

- has a high school diploma (HSD);
- has the recognized equivalent of a high school diploma, such as a general education development (GED) certificate;
- has completed homeschooling at the secondary level; or
- has passed a Department approved ability-to-benefit (ATB) test.

34 C.F.R. 668.32(e)

Noncompliance Summary:

To meet this requirement, a student may self-certify that he has received a high school diploma or GED or that he/she has completed secondary school through homeschooling as defined by state law. If a student indicates on the FAFSA that he/she has a diploma or GED, the school isn't required to ask for a copy but, if a school requires one for admission, then the school must rely on that copy of the diploma or GED and not on the student's certification alone. Further, if there is conflicting information regarding a student's status, the school must obtain valid proof of a student's high school diploma or GED.

As part of JTI's admissions process, students were required to submit a copy of either a HSD or GED certificate. For those students who did not have a HSD or GED, JTI accepted passing test scores from students who had taken the Wonderlic ATB test.

The Department found that Students 1, 4, 11, and 12 did not have sufficient documentation to establish that they met the Title IV eligibility requirements outlined above.

Required Action Summary:

JTI was directed to provide copies of adequate admissions documentation for students #1 and #4. JTI was informed that if it could not provide the required documentation, all Title IV, HEA funds disbursed to each student would become a liability.

Due to the errors discovered during the 2008-2009 award year, JTI was directed to conduct a file review for every student enrolled to determine which student files did not have adequate documentation to show the student was eligible for Title IV funds. For any students identified, JTI was to provide valid documentation to establish the student's basis of admission.

JTI's Response:

The institution's initial response, dated July 22, 2011, was incomplete. JTI conducted a file review for the 2008-2009 award year and reported that no other files were found with inadequate documentation. However, JTI failed to submit copies of the admissions documentation requested to support the determination that the students met the eligibility requirements. Additionally, JTI stated that the admissions requirements have been revised to indicate that a student may self-certify that he/she has received a high school diploma or GED or that he/she has completed secondary school through homeschooling as defined by state law.

In a subsequent response dated February 7, 2012, JTI responded by providing a spreadsheet for the 2008-2009 award year, which included copies of the supporting admissions documentation (i.e. high school diplomas, student self-certifications, and ATB scores) for students identified in the file review.

Final Determination:

The Department reviewed each document submitted as part of the response, which included a file review of adequate admission documentation for all students enrolled. The documentation provided has resolved the finding for student 4. The following is the Department's determination for the remaining students.

- **Student #1** – JTI failed to document this student had a HSD, GED or passed an ATB test. JTI officials searched the Texas Education Agency's website "Texas GED Certificate Search." However, the search showed that "no GED certificate" could be found for this student. JTI failed to provide any supporting documentation in its response. Consequently, this student is ineligible for the funds received. This includes \$1,577 in Federal Pell Grant liabilities and \$7,500 in FFEL liabilities.
- **Student B2-1** - JTI awarded Title IV, HEA funds using the "Unofficial" ATB test results. The student improperly received \$4,731 in Federal Pell Grant funds and \$3,750 in FFEL funds.
- **Students #12 and B2-2** - JTI submitted documents of extremely poor quality, which were deemed unreadable. Consequently, the Department cannot determine that the students met the requisite eligibility requirements. Student #12 improperly received

\$1,577 in Federal Pell Grant funds and \$7,500 in FFEL funds. Student B2-2 improperly received \$5,040 in Federal Pell Grant funds and \$3,750 in FFEL funds.

- For three students, JTI submitted translated documents for proof of a high school diploma but did not provide the original document for verification.
 - Student #11 – received \$2,957 in Federal Pell Grant funds. However, the supporting documentation submitted for this student was a “temporary certificate” issued by a secondary education diploma service. The document was dated October 19, 1994 and indicated that it was only good for a period of two years, which expired prior to JTI awarding Title IV, HEA funds. Information on the form indicated that the translated document was good for a period of two years. The student was required to take action to receive an official, final document. An official, final document was not provided.
 - Student B2-3 - Original documentation not provided. This student received \$5,041 in Federal Pell Grant funds and \$7,500 in FFEL funds.
 - Student B2-4 – Original documentation not provided. This student received \$2,366 in Federal Pell Grant funds and \$3,750 in FFEL funds.
- For three students, JTI submitted invalid documents for proof of a high school diploma.
 - Student B2-5 - JTI submitted a copy of a high school diploma with an altered graduation date. This student received \$1,741 in Federal Pell Grant funds.
 - Student B2-6 - JTI submitted a certificate of completion in Welding which is insufficient to show a HS diploma or GED. This student received \$4,731 in Federal Pell Grant funds and \$3,750 in FFEL funds.
 - Student B2-7 - JTI submitted a certificate of proficiency for 7 credit hours in truck driving training, which is insufficient to establish a HS diploma or GED. This student received \$654 in Federal Pell Grant funds and \$7,500 in FFEL loan funds.
 - One academic achievement record was provided but the reviewers were unable to identify the student because the student's name does not appear on document.

As a result of this finding, JTI is liable for the \$30,415.00 in Federal Pell Grant funds and \$45,000 in FFEL loan funds disbursed to these students. (Students are identified in Appendix B.) The Cost of funds on the ineligible Federal Pell Grant disbursements totals \$1,796.32, for a total Federal Pell Grant liability of \$32,211.32. The Cost of Funds calculation is included in Appendix F.

In lieu of requiring the institution to assume the risk of default by purchasing the ineligible loans, totaling \$45,000.00, the Department has asserted a liability not for the loan amount, but rather for the estimated or potential loss that the government may incur with respect to the ineligible loans. A calculation has been computed to determine the estimated loss to the Department that has resulted or will result from the ineligible loans based on JTI's most recent cohort default rate available, which is 36.7%. As a result, the estimated loss that JTI must pay

to the Department for the ineligible loans is \$0. (The Estimated Loss calculation is included as Appendix E.)

The total liability for this finding is \$32,211.32.

Finding 4. Improper Federal Family Education Loan (FFEL) Disbursement

Citation Summary:

If an institution's program is one academic year or shorter, the loan period is usually the length of the program. If the program is longer than an academic year, there will be another loan period for any subsequent academic year or remaining portion of an academic year.

For each loan period in these programs –

- the loan must be disbursed in at least two substantially equal amounts, with the first disbursement generally disbursed at or near the beginning of the loan period; and
- the second half of the loan proceeds may not be disbursed until the student has successfully completed half of the coursework and half of the weeks of instructional in the loan period.

The payment period for the remainder of a program less than or equal to one-half of an academic year is the remainder of the program. 34 C.F.R. §§ 668.164(b), 682.207, 682.604(b).

Noncompliance Summary:

The Department found that the following students were improperly disbursed FFEL proceeds:

Student #8 –The student withdrew and only completed 211 clock hours at the time JTI credited the student's second subsidized Stafford loan disbursement of \$1,750.00 and a second \$2,000.00 unsubsidized Stafford loan disbursement on 07/22/2008.

Student #20 –The student was disbursed a second subsidized Stafford loan in the amount of \$1,732.50. However, the student had only completed 388 clock hours at the time he withdrew.

Neither of the students listed above reached the second payment period of 451-900 clock hours/26 weeks.

Required Action Summary:

JTI was directed to return the ineligible FFEL disbursements to each student's lenders and provide adequate documentation (copy of cancelled check, front and back) in response the program review report.

JTI's Response:

The institution's initial response, dated July 22, 2011, was incomplete. JTI stated that for Student #8, funds would be returned in the amount of \$3,750.00 to the lender, but failed to provide supporting documentation of the return. For Student #20, JTI stated that the student reached 450 clock hours as of 06/2009 according to the Shears Report/Student Hours. However, the Shears Report submitted was not for the student identified in this finding.

In a subsequent response dated February 7, 2012, JTI responded by providing copies of Return to Title IV (R2T4) worksheets for both students, even though the previous response indicated that JTI concurred with the finding and would return funds for Student #8. The R2T4 worksheets provided indicate that both students earned the funds disbursed. However, JTI failed to provide attendance records or other documents to support the claim that the students had earned the funds.

Final Determination:

JTI is liable for the FFEL funds disbursed to Student #8. The ineligible disbursements total \$1,741.25 in Subsidized Stafford loan funds and \$1,990 in Unsubsidized Stafford loan funds. The estimated loss calculation (included in Appendix E) resulted in a total liability of \$0.

The subsequent disbursement of \$1,750 in Subsidized Stafford loan funds for Student #20 was returned on October 13, 2011, resulting in a late return. The return was verified by the National Student Loan Data System; therefore, no further action is required for this student.

Finding 5. Student Credit Balance Deficiencies

Citation Summary:

Whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but-

- no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period: or
- no later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

34 C.F.R. § 668.164(e). The only exception to this requirement is if the institution obtains a written authorization form from the student or parent to hold the credit balance to pay for future charges. If an authorization is obtained the funds may only be held until the end of the loan period or the last payment period in the award year. 34 C.F. R. § 668.165(b).

Noncompliance Summary:

JTI failed to pay credit balances in accordance with the Department's regulations. The following students did not have signed credit balance authorization forms on file:

Student #6 – JTI credited a \$1,980 unsubsidized Stafford loan and a \$1,732.50 subsidized Stafford loan to the student's account on June 27, 2009, creating a credit balance of \$2,756 after the student's educational costs were paid. A "student refund" check was issued on July 21, 2009.

Student #7 – The student's account was credited with a \$1,990 unsubsidized Stafford loan on October 20, 2009, creating a credit balance of \$428.50 after the student's educational costs were paid. JTI issued a "student refund" check on April 1, 2010.

Student #10 – A Federal Pell Grant payment of \$1,690 was credited to the student's account on June 3, 2009. After the student's educational costs were paid, JTI issued a "student refund" check in the amount of \$1,406 on September 22, 2009.

Student #18 – The student's account was credited with a \$1,233 Federal Pell Grant on September 17, 2009. However, the student's account was not charged with educational expenses until \$45 was charged on October 21, 2009 and \$60 was charged on November 11, 2009. JTI should have returned the student's credit balance no later than October 1, 2009. JTI issued a \$1,128 "student refund" check on November 25, 2009.

Student #30 – The student received a Federal Pell Grant payment of \$1,533 on August 19, 2009, after the student's educational costs were paid. However, the "student refund" check wasn't issued by JTI until September 30, 2009.

Required Action Summary:

JTI was directed to complete a file review for the 2008-2009 and 2009-2010 award years for all students and determine which students had a credit balance and did not have a signed credit balance authorization form on file. JTI was required to submit proof that all credit balances were paid. In addition, JTI must create a policy describing how it will ensure that credit balances are paid to the student or parent as soon as possible but no later than 14 days or that JTI has a signed credit balance authorization form for the student on file. A copy of this policy must be submitted in response to this report.

JTI's Response:

The institution's initial response, dated July 22, 2011, was incomplete. JTI stated that they reviewed the files for 2008-2009 and 2009-2010 and all credit balance have been paid in full. However, JTI failed to provide supporting documentation of the review as requested. In the subsequent response, dated February 7, 2012, the Award Letter, which was signed by the student used to request funding, was provided for the students who were identified as not

having credit balance authorization forms on file.

JTI completed a file review for 2008-2009 and 2009-2010 award years for all students and attached the requested documents (Ledger and Copies of Checks). JTI also created a policy describing how it will ensure that credit balances are paid to the student or parent no later than 14 days after the date the credit balance is created.

Final Determination:

The Department reviewed each document submitted in response to this finding. For the students identified in the program review sample, #6, #7, #10, #18, and #30 – JTI only provided copies of the student ledgers indicating that credit balances had paid, documentation to support the payments was not provided. Therefore, JTI is liable for the credit balances due to the identified students.

The file review from the 2008-2009 award year identified eight additional students with outstanding credit balances totaling \$26,927 in Federal Pell Grant and FFEL funds (See Appendix B). JTI must disburse the funds to each student and submit copies of the front and back of the cancelled checks as proof of payment.

Finding 6. Pell – Overpayment

Citation Summary:

The amount of a student's Federal Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year. 34 C.F.R. § 690.62

The Department found that JTI disbursed a total of \$5,350 in Federal Pell Grant funds to student #26. However, the student had earned a total of 62.95 clock hours as of his last date of attendance of February 20, 2010. Therefore, student #26 was not eligible for the second Federal Pell Grant disbursement of \$2,675.

Required Action Summary:

JTI must provide proof that it returned \$2,675 for student #26. If the return has not been made, instructions for the repayment liability will be provided in the Final Program Review Determination letter.

JTI's Response:

The institution's initial response, dated July 22, 2011, was incomplete. JTI states that Student #26 will be included with the Final Review Determination Letter. In a subsequent response dated, February 7, 2012, JTI concurs with the finding and indicates that the funds for student #26 have not been returned, and will be addressed as a result of the Final Program Review

determination letter.

Final Determination:

JTI disbursed Federal Pell Grant funds to Student #26 for a payment period the student did not begin. Therefore, JTI is liable for \$2,675.00 in improperly disbursed funds plus, \$92.78 in interest (See Appendix F) for a total liability of \$2,767.78 in Federal Pell Grant funds (See Appendix B).

Finding 7. Ineligible Student – Selective Service Registration Inadequate

Citation Summary:

To be eligible to receive Title IV, HEA funds, a male student who is subject to registration with the Selective Service must register with the Selective Service. If the student was not required to be registered, the student must provide documentation that he was not required to do so. 20 U.S.C. § 1091(a)(5); 34 C.F.R. §§ 668.32(j), 668.37.

An institution may determine that a student who was required to register, but who did not, may still be eligible to receive Title IV, HEA funds, if the student can demonstrate by submitting clear, unambiguous evidence to the institution that:

- He was unable to present himself for registration for reasons beyond his control such as hospitalization, incarceration, or institutionalization; or
- He is over 26 and when he was between 18 and 26 he did not knowingly and willfully fail to register.

Further, for the purpose of the second item above, an institution may consider that a student did not knowingly and willfully fail to register with Selective Service only if the student submits to the institution an advisory opinion from the Selective Service that does not dispute the student's claim that he did not knowingly and willfully fail to register, and if the institution does not have other incontrovertible evidence that the student knowingly and willfully failed to register. 34 C.F.R. §§ 668.37(d), (e).

Noncompliance Summary:

JTI improperly disbursed Title IV, HEA student financial assistance funds to the following students who failed to register with the Selective Service:

Student #7 – The student indicated on the Request for Status Information Letter that his reason why he failed to register with Selective Service upon reaching age 18 and before reaching 26--- “I did not know that I was required to register.” There was no documentation from Selective Service (e.g., response to student's request) in the file. JTI's letter dated September 10, 2009, states the following--- “It is the decision of the Financial Aid Department of Jay's Technical Institute, based on the enclosed documentation, that name of Student #7 did not willfully refuse

to register with the Selective Service. Therefore we consider him to be eligible to receive financial aid."

Student #12 – The student indicated on the Request for Status Information Letter that his reason why he failed to register with Selective Service upon reaching age 18 and before reaching 26--- "Entered active duty at age 17 and was medically discharged." However, there was no documentation (DD214) of the student being medically discharged in the file. A letter from Selective Service dated November 7, 2007 was in the student's file. There is nothing in the letter stating that the student was exempt from selective service. Despite these facts, JTI's letter dated November 30, 2007, states the following--- "It is the decision of the Financial Aid Department of Jay's Technical Institute, based on the enclosed documentation, that name of Student #12 did not willfully refuse to register with the Selective Service. Therefore we consider him to be eligible to receive financial aid."

Student #30 – The student indicated on the Request for Status Information Letter that his reason why he failed to register with Selective Service upon reaching age 18 and before reaching 26--- "Did Not Know." In addition, it appears that the student was incarcerated, institutionalized, hospitalized, or confined to home from 1999 to 2003 according to the form. A letter from Selective Service dated March 30, 2009 was in the student's file. There is nothing in the letter that states the student was exempt from selective service. Despite this fact, JTI's letter dated July 15, 2009, states the following--- "It is the decision of the Financial Aid Department of Jay's Technical Institute, based on the enclosed documentation, that name of Student #30 did not willfully refuse to register with the Selective Service. Therefore we consider him to be eligible to receive financial aid."

Required Action Summary:

For Student #7, JTI was directed to provide any supportable documentation that he was unable to present himself for Selective Service registration. In addition, JTI must provide the total amount of Title IV funds (program and amount) disbursed to the student for the 2008-2009 award year.

For Student #12, JTI was directed to provide any supportable documentation that he was medically discharged (e.g., a copy of the student's DD214 form) from active duty. In addition, JTI must provide the total amount of Title IV funds (program and amount) disbursed to the student for the 2008-2009 award year.

For Student #30, JTI was directed to provide any supportable documentation that he was unable to present himself for Selective Service registration. In addition, JTI must provide the total amount of Title IV funds (program and amount) disbursed to the student for the 2009-2010 award year.

Additionally, JTI must review the file of every male student flagged for Selective Service during the 2008-2009 award year to determine the extent of this finding and provide the results

with its response to this finding. JTI must also submit all documentation that is necessary to support its determinations regarding the students' selective service status.

JTI's Response:

The institution's initial response dated, July 22, 2011, was incomplete. In a subsequent response dated, February 7, 2012, JTI stated that, "In reviewing the students' files we did our due diligence to determine if the students did not know or willfully didn't register. At the time the student enrolled the status information letter submitted provided all the documentation (Reason Why)."

Students #7 and #30 – JTI again provided copies of the letters from Selective Service. These are not sufficient to support the position that a student "did not knowingly or willfully fail to register" for selective service."

Student #12 – According to JTI, the student did provide a copy of his DD214 at the time of enrollment; however, the copy cannot be located. Without this documentation, the institution cannot establish that the selective service eligibility requirements were met.

JTI reviewed the files of all male students selected for Selective Service during the 2008 – 2009 award year and provided letters from Selective Service as documentation. The Department reviewed each document submitted as part of the institutional response to the program review report. As noted above, the Status Information Letters from Selective Service are not sufficient to resolve the finding.

Final Determination:

Due to the school's lack of valid documentation, the Title IV, HEA funds disbursed to the following students are a liability (See Appendix B).

- Student #7 received \$2,366 in Federal Pell Grant funds and \$7,500 (\$3,500 Sub/\$4,000 Unsub) in FFEL funds.
- Student #12 received \$5,887 in Federal Pell Grant funds and \$7,500 (\$3,500 Sub/\$4,000 Unsub) in FFEL funds.
- Student #30 received \$5,367 in Federal Pell Grant funds and \$7,500 (\$3,500 Sub/\$4,000 Unsub) in FFEL funds.
- Student B5-1 received \$2,366 in Federal Pell Grant funds.
- Student B5-2 received \$9,150 in Federal Pell Grant funds and \$3,500 (Sub) in FFEL funds.
- Student B5-3 received \$7,361 in Federal Pell Grant funds and \$9,500 (\$3,500 Sub/\$6,000) in Federal Direct Loan funds.

- Student B5-4 received \$7,591 in Federal Pell Grant funds and \$7,500 (\$3,500 Sub/\$4,000 Unsub) in FFEL funds.

JTI is liable for \$40,088.00 in Federal Pell Grant funds disbursed. The interest on that amount (included in Appendix F) is \$1,447.57 for a total liability of \$41,535.57.

The total amount of loan funds disbursed to the students was \$47,000.00. The estimated loss calculation is \$1,289.37 (included in Appendix E).

The total liability for this finding is \$42,824.94.

Finding 10. Inconsistent Information in Student File

Citation Summary:

The ability of an institution to coordinate the information it collects and to resolve discrepancies are critical elements in an evaluation of administrative capability. Institutions are required to develop an adequate system to ensure the consistency of information related to a student's application for Title IV, HEA assistance, regardless of the source of that information. The institution is responsible for reconciling all information received. 34 C.F.R. § 668.16(f).

Noncompliance Summary:

The Department found that the institution disbursed Title IV, HEA program funds prior to resolving conflicting information for the following students:

Student #9 – The student's 2008-2009 Institutional Student Information Record (ISIR) listed a household size of two. However, the "2008-2009 verification worksheet" only listed one in the household. Although the student was not selected for verification, JTI had the student complete this form.

Student #26 – The student reported on the 2009-2010 ISIR \$1,253 income earned from work. However, on the 2009-2010 verification worksheet, he reported his 2008 income as \$2,000. There was no documentation in the student's file to explain the difference in the income amounts reported.

Required Action Summary:

In response to this report, the institution was directed to develop and submit written procedures and control mechanisms to ensure that, in the future, inconsistent information will be identified and resolved prior to the disbursement of Title IV, HEA funds. In addition, JTI was told to resolve the inconsistent deficiencies by providing adequate documentation that resolves the inconsistent information for students #9 and #26 or by providing a copy of the student's recalculated ISIR. If the student's EFC, scheduled award or expected disbursement changed as

a result of the recalculation, JTI would be liable for the difference between the correct disbursement and actual disbursement. If JTI could not complete the process, it would be liable for the actual disbursement.

Instructions for the repayment of any identified liability will be provided in the Final Program Review Determination letter.

JTI's Response:

The institution's initial response dated, July 22, 2011, was incomplete. Although JTI stated that it has made every attempt to resolve the discrepancies for students #9 and #26, information could not be obtained. In addition, JTI indicated that it will use a "TPA" servicer as a control mechanism to ensure that, in the future, all information will be resolved prior to the disbursement of Title IV funds

Final Determination:

Since JTI was unable to resolve the inconsistent information and could not provide recalculated ISIRs for students #9 and #26 it will be liable for the following title IV funds.

- Student #9 received \$2,366 in Federal Pell Grant funds and \$1,750 in FFEL funds.
- Student #26 received \$5,350 in Federal Pell Grant funds.

The Cost of Funds for the ineligible Federal Pell Grant amounts equals \$313.70 (included in Appendix F), for a total Federal Pell Grant liability of \$8,029.70.

The estimated loss calculation (included in Appendix E) resulted in a total liability of \$0.

Liabilities for student #26 were assessed in Finding 6; therefore, the duplicated liability amount for this student will be removed from the liability chart in Section D.

Finding 11. Leave of Absence (LOA) Deficiencies

Citation Summary:

An LOA must meet certain conditions to be counted as a temporary interruption in a student's education instead of being counted as a withdrawal requiring a school to perform a Return of Title IV (R2T4) calculation. Among the policies and procedures a school must maintain is one that discusses the procedures a student must follow in applying for a leave of absence and the criteria the institution will apply in determining whether to approve the application. In order for an LOA to qualify as an approved LOA:

- the school must have a formal written policy requiring all requests for LOAs to be submitted in writing and include the reason for the request;

- the student must follow the school's policy in requesting the LOA;
- there must be reasonable expectation the student will return from the LOA;
- the school must approve the student's request for the LOA in accordance with its policy;
- the school may not assess the student any additional institutional charges, the student's need may not increase, and therefore, the student is not eligible for any additional Title IV aid;
- the LOA together with any additional LOAs must not exceed a total of 180 days in any 12-month period; and
- if the student is a Title IV loan recipient, the school must explain to the student, prior to granting the LOA, the effects that the student's failure to return from an LOA may have on the student's loan repayment terms, including the expiration of the student's grace period.

A student granted an LOA that meets the above criteria is not considered to have withdrawn, and no R2T4 calculation is required. 34 C.F.R. § 668.22(d).

Noncompliance Summary:

The Department found that the following student did not meet the conditions for an approved LOA:

Student #27 – The student's "Change of Status Form" shows the student requested a LOA for "personal" reasons. The request was approved by a school official; however, the student failed to sign the LOA request. There was no indication the student was provided a copy of the approved LOA.

JTI's policy states in its October 2009 Student Handbook School Catalog on page 18 "A request for a leave of absence will be reviewed and the student will be notified in writing of the decision to approve or deny the request."

The finding was resolved for students 20 and 30 from the program review report.

Required Action Summary:

JTI was informed that any LOA that does not meet all of the conditions for an approved LOA must be considered a withdrawal for Title IV purposes. The student's withdrawal date is the student's last day of attendance. JTI was directed to perform R2T4 calculations for the students cited in the report and submit a copy of the R2T4 calculations with its response to the program review report.

JTI's Response:

In its response, JTI did not provide a copy of the attendance record for student 27 and stated that the student will be included in the Final Review Determination Letter. In addition, JTI

stated it has provided written procedures to ensure all LOA requests meet the conditions of an "approved" LOA and revised the form.

Final Determination:

JTI is liable for the Title IV, HEA funds disbursed to Student # 27 which includes \$6,242 in Federal Pell Grant funds and \$178.87 in interest (included in Appendix F). The estimated loss calculation (included in Appendix E) resulted in a total liability of \$0.

Finding 12. Crime Awareness Requirements Not Met

Citation Summary:

Institutions are required to publish and distribute, by October 1 of each year, an annual security report that contains required crime statistics, as well as required statements and policies, to its current students and employees. Institutions must also inform prospective students and employees of the report's availability and provide a copy upon request.

The annual security report must report crimes statistics for the three most recent calendar years concerning the occurrence on campus, on or on non-campus buildings or property, and on public property of the following offenses:

- Criminal homicide (murder and non-negligent manslaughter)
- Sex offenses (forcible sex offenses and non-forcible sex offenses)
- Robbery
- Aggravated assault
- Burglary
- Motor vehicle theft
- Arson
- Arrests for liquor law violations, drug law violations, and illegal weapons possession
- Persons not included in the above category who were referred for campus disciplinary action for liquor law violations, drug law violations, and illegal weapons possession

The annual security report must contain a number of statements including but not limited to:

- A statement of current campus policies regarding procedures for students and others to report criminal actions or other emergencies occurring on campus. This statement include (1) policies for making timely warning reports to members of the campus community regarding the occurrence of crimes required to be reported in the annual security report (2) policies for preparing the annual disclosure of crime statistics, and (3) a list of the titles of each person or organization to whom students and employees should report the criminal offenses for the purpose of making timely warning reports and the annual statistical disclosure.

- A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security and the security of others.
- A description of programs designed to inform students and employees about the prevention of crimes.
- A statement of policy concerning the monitoring and recording through local police agencies of criminal activity in which students engaged at off-campus locations of student organizations officially recognized by the institution, including student organizations with off-campus housing facilities.
- A statement of policy regarding the possession, use, and sale of alcoholic beverages and enforcement of State underage drinking laws.
- A statement of policy regarding the possession, use, and sale of illegal drugs and enforcement of Federal and State drug laws.
- A description of any drug or alcohol-abuse education programs.
- A statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs.
- A statement advising the campus community where law enforcement agency information provided by a State under section 170101(j) of the Violent Crime Control and Law Enforcement Act of 1994 (42 U.S.C. 1407(j)), concerning registered sex offenders may be obtained, such as the law enforcement office of the institution, a local law enforcement agency with jurisdiction for the campus, or a computer network address.

The above statements are not comprehensive and are provided for illustrative purposes only. A complete list of required statements is provided in Appendix B. Institutions must comply with the campus security requirements for each separate campus. 34 C.F.R. § 668.46 (the implementing regulations of The Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act or Clery Act).

Citation Summary: The annual security report for 2009 provided by JTI did not contain all required policies. Specifically, the campus security policies provided did not include:

- A procedure for making timely warning reports to member of the campus community regarding the occurrence of crimes;
- A policy for preparing the annual disclosure of crime statistics;
- A description of the type and frequency of programs designed to inform students and employees about campus security procedures and practices and to encourage students and employees to be responsible for their own security , as well as the security of others;

- A statement of policy regarding the institution's campus sexual assault programs to prevent sex offenses, and procedures to follow when a sex offense occurs. The statement must include:
 - A description of the educational programs to promote awareness of rape, acquaintance rape, and other forcible and non-forcible sex offenses;
 - Procedures a student should follow if a sex offense occurs, including procedures concerning who should be contacted and the importance of preserving evidence;
 - Information on a student's option to notify appropriate law enforcement authorities and a statement that institutional personnel will assist the student if requested;
 - Notification to students to existing counseling, mental health, or other student services for victims of sex offense; and
 - Procedures for campus disciplinary action in cases of an alleged sex offense.

Required Action Summary:

JTI was informed that the Department has made available the "Handbook for Campus Crime Reporting" to assist institutions in complying with the Clery Act. It can be found at the following web address:

<http://www.ed.gov/admins/lead/safety/campus.html> - handbook

JTI was also informed that it could elect to distribute the report to its current students and employees via the web but, to do this, must provide an individual notice to each recipient that includes:

- A statement of the report's availability,
- A list and brief description of the information contained in the report,
- The exact electronic address of the Internet or Intranet Web site at which the report is posted, and
- A statement saying the school will provide a paper copy upon request.

In addition, JTI was directed to: (1) provide a copy of the report to this office, (2) describe its method for distributing the report, and (3) provide this office with written assurance that it will, in the future, publish an annual security report by October 1 of each year, with all required crime statistics, policies and statements.

Final Determination:

The institution's initial response dated July 22, 2011 was inadequate. JTI stated that copies of the revised campus security report would be provided to all students and additional copies would be made available for the community in the institution's Public Information Center. The proposed action by JTI does not meet the annual notification requirement. Additionally, JTI failed to provide a copy of the revised Annual Security Report to the Department for review.

In a subsequent response dated February 7, 2012, the institution merely provided a duplicate copy Annual Security Report which was provided during the program review.

As a result, JTI failed to demonstrate that it had established policies required by the *Clery Act* or disseminated the required campus safety policies and disclosures to its students, employees and potential students and employees. This violation constitutes a general failure to comply with the requirements of the *Clery Act* – a violation that cannot be cured. In addition, JTI failed to provide a complete copy of the report to the Department as requested.

Failure to adequately address campus security violations is serious and constitutes a lack of administrative capability. Therefore, JTI is being referred to the Administrative Actions and Appeals Services Group (AAASG) for administrative action, which may include a fine.

D. Summary of Liabilities

The total liabilities from the findings in the program review determination are listed in the charts below. The first chart reflects duplicated and unduplicated liabilities because some students appear in more than one finding. This information is provided so that the institution understands the liabilities associated with each finding. The second chart removes all duplicate liabilities as described in the final determinations for findings 1, 3, 5, and 6. Appendix B contains a detailed accounting of the determination of unduplicated liability for each finding.

The payment instructions in Section E reflect the unduplicated liabilities in the second chart.

Actual Liabilities - Includes Duplicate Liabilities			
Liabilities	Pell (Closed Award Year)	DL/FFEL	ELF DL/FFEL
Finding 1	\$76,761.62	\$62,193.84	N/A
Finding 1 (PWD to students)	\$2,967.36	\$0	N/A
Finding 3	\$30,415.00	\$45,000.00	\$0
Finding 4	\$0	\$3,731.25	\$0
Finding 5 (credit balances)	\$16,148.50	\$10,778.50	\$0
Finding 6	\$2,675.00	\$0	N/A
Finding 7	\$40,088.00	\$47,000.00	\$ 1,289.37
Finding 10	\$7,716.00	\$1,750.00	\$0
Finding 11	\$6,242.00	\$5,000.00	\$0

Established Liabilities -- Duplicate Liabilities Removed				
Liabilities	Pell (Closed Award Year)	DL / FFEL	EALF DL	Totals
Finding 1	\$76,761.62	\$62,193.84	N/A	\$138,955.46
Finding 1a (PWD students)	\$2,931.95	\$0	N/A	\$2,931.95
Finding 3	\$28,838.00	\$0	\$0	\$28,838.00
Finding 4	\$0	\$0	\$0	\$0
Finding 5 (student credit bal)	\$8,738.70	\$7,594.00	\$0	\$16,332.70
Finding 6	\$0	\$0	N/A	\$0
Finding 7	\$40,088.00	\$0	\$ 1,289.37	\$41,377.37
Finding 10	\$7,716.00	\$0	\$0	\$7,716.00
Finding 11	\$6,242.00	\$0	\$0	\$6,242.00
Subtotal 1	\$171,316.27	\$69,787.84	\$1,289.37	\$242,393.48
Interest/SA	\$8,751.96	\$7,614.48	N/A	\$16,366.44
Subtotal 2	\$8,751.96	\$7,614.48	N/A	\$16,366.44
TOTALS	\$180,068.23	\$77,402.32	\$1,289.37	\$258,759.92
Payable To:	Pell (Closed Award Year)	DL / FFEL	EALF DL	
Department	\$168,397.58	\$756.94	\$1,289.37	
Students	\$11,670.65	\$7,594.00		
Lenders		\$69,051.38		

E. Payment Instructions

Liabilities Owed to the Department \$100,000 or More

JTI owes to the Department **\$170,443.89**. This liability must be paid using an electronic transfer of funds through the Treasury Financial Communications System, which is known as FEDWIRE. JTI must make this transfer within **45 days of the date of this letter**. This repayment through FEDWIRE is made via the Federal Reserve Bank in New York. If JTI's bank does not maintain an account at the Federal Reserve Bank, it must use the services of a correspondent bank when making the payments through FEDWIRE.

Any liability of \$100,000 or more identified through a program review must be repaid to the Department via FEDWIRE. The Department is unable to accept any other method of payment in satisfaction of these liabilities.

Payment and/or adjustments made via G5 will not be accepted as payment of this liability. Instead, the school must first make any required adjustments in COD as required by the applicable finding(s) and Section II – Instructions by Title IV, HEA Program (below), remit payment, and upon receipt of payment the Department will apply the funds to the appropriate G5 award (if applicable).

Instructions for completing the electronic fund transfer message format are included on the attached FEDWIRE form.

Terms of Payment

As a result of this final determination, the Department has created a receivable for this liability and payment must be received by the Department within **45 days of the date of this letter**. If payment is not received within the 45-day period, interest will accrue in monthly increments from the date of this determination, on the amounts owed to the Department, at the current value of funds rate in effect as established by the Treasury Department, until the date of receipt of the payment. JTI is also responsible for repaying any interest that accrues. If you have any questions regarding interest accruals or payment credits, contact the Department's Accounts Receivable Group at (202) 245-8080 and ask to speak to JTI's account representative.

If full payment cannot be made within **45 days** of the date of this letter, contact the Department's Accounts Receivable Group to apply for a payment plan. Interest charges and other conditions apply. Written request may be sent to:

U.S. Department of Education
OCFO Financial Management Operations
Accounts Receivable Group
550 12th Street, S.W., Room 6114
Washington, DC 20202-4461

If within 45 days of the date of this letter, JTI has neither made payment in accordance with these instructions nor entered into an arrangement to repay the liability under terms satisfactory to the Department, the Department intends to collect the amount due and payable by administrative offset against payments due JTI from the Federal Government. **JTI may object to the collection by offset only by challenging the existence or amount of the debt.** To challenge the debt, JTI must **timely appeal** this determination under the procedures described in the "Appeal Procedures" section of the cover letter. The Department will use those procedures to consider any objection to offset. **No separate appeal opportunity will be provided.** If a timely appeal is filed, the Department will defer offset until completion of the appeal, unless the Department determines that offset is necessary as provided at 34 C.F.R. § 30.28. This debt may also be referred to the Department of the Treasury for further action as authorized by the Debt Collection Improvement Act of 1996.

Liabilities Owed to Students

Finding: 1 and 5

Appendices: B

Students	
Amount	Award Year(s)
\$8,738.70 (PELL)	2007-2009
\$7,594.00 (FFEL)	2007-2009
\$2,931.95 (PELL)	2007-2009
Total	
\$19,264.65	

JTI must make a good faith effort to pay the amount listed above to the students listed in the above Appendices.

If JTI cannot locate a student, payment must be made to the account of the program from which the award was made. If that cannot be determined, the funds must be paid in the order required for the return of funds specified in 34 C.F.R. § 668.22(i):

- Unsubsidized Federal Stafford loans
- Subsidized Federal Stafford loans
- Unsubsidized Federal Direct Stafford loans
- Subsidized Federal Direct Stafford loans
- Federal Perkins Loans
- Federal PLUS loans received on behalf of the student
- Federal Direct PLUS received on behalf of the student
- Federal Pell Grants

Academic Competitiveness Grants
 National SMART Grants
 FSEOG Program aid
 TEACH Grants

JTI must provide proof of payment to the student by submitting a copy of the front and back of the canceled check to Shereé Porter within 45 days of the date of this letter.

In the event the student cannot be located, does not cash a check that has been mailed, and the institution is unable to initiate an EFT to the student's or parent's bank account, JTI must return the funds to the appropriate Title IV program account via G5 and make the corresponding downward adjustments to the applicable disbursements in COD. JTI must document its attempts to contact the student and provide proof of payment and COD adjustments to the applicable Title IV program to Shereé Porter. The Department will not consider this program review closed until the information requested has been received.

Liabilities Owed to FFEL Lenders and the Department in the case of Direct Loans

Federal Family Education Loan (FFEL) Liabilities

Finding: 1
 Appendices: B and F

FFEL To Lenders		
Amount (Principal)	Amount (Interest)	Award Year
\$20,913.40	\$3,768.43	2007-2008
\$28,479.19	\$2,595.57	2008-2009
\$12,801.25	\$493.54	2009-2010
Total Principal	Total Interest	
\$62,193.84	\$6,857.54	

Finding: 1
 Appendices: B and F

FFEL To Department		
Amount (Principal)	Amount (Interest)	Award Year
\$0	\$297.59	2007-2008
\$0	\$296.87	2008-2009
\$0	\$162.48	2009-2010
Total Principal	Total Interest	
\$0	\$756.94	

JTI must pay the amount above to the holders of the FFEL loans on behalf of the students identified in the appendices listed above, plus any interest that has accrued since the date of this letter and the day the school pays the holder. This Appendix list each of the applicable students and the corresponding amount owed to the student's FFEL loan, except for the interest that continues to accrue. JTI must access NSLDS to determine if the FFEL loans have been purchased and/or are serviced by the Department. See Chapter 4, Volume 4 (Returning funds from FFEL loans purchased/serviced by the Department) of the FSA Handbook for additional guidance.

As proof of payment, a copy of the front and back of the canceled checks, or proof of electronic transfer of the funds, must be provided to Shereé Porter **within 45 days of the date of this letter.**

Direct Loan Estimated Actual Loss

Finding: 7

Appendices: B and E

DL Estimated Actual Loss	
Amount	Award Year
\$1,289.37	2008-2009
Total	
\$1,289.37	

JTI must pay the amount reflected above in Direct Loan estimated loss liabilities for the award years reflected above. The liabilities will be applied to the general Direct Loan fund. This amount is also reflected in the total amount owed to the Department in Section 1 above.

Liabilities Owed to the Department in the Case of Title IV Grants

Pell – Closed Award Year

Finding: 1
 Appendices: B and F

JTI must repay:

Pell Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year
\$21,633.44	\$2,892.97	Pell	2007-2008
\$36,823.40	\$1,850.10	Pell	2008-2009
\$18,304.78	\$ 383.38	Pell	2009-2010
Total Principal	Total Interest		
\$76,761.62	\$5,126.45		

Pell – Closed Award Year

Findings: 3, 7, 10, and 11
 Appendices: B and F

JTI must repay:

Pell Closed Award Year			
Amount (Principal)	Amount (Interest)	Title IV Grant	Award Year(s)
\$28,838.00	\$1,685.37	Pell	2008-2009
\$40,088.00	\$1,447.57	Pell	2008-2009
\$7,716.00	\$313.70	Pell	2008-2009
\$6,242.00	\$178.87	Pell	2008-2009
Total Principal	Total Interest		
\$82,884.00	\$3,625.51		

The disbursement record for each student identified in the appendix to the applicable finding must be adjusted in the Common Origination and Disbursement (COD) system based on the recalculated amount identified in the appendix.

Adjustments in COD must be completed prior to remitting payment to the Department. Payment cannot be accepted via G5. Once the Department receives

payment via FEDWIRE, the Department will apply the principal payment to the applicable G5 award. The interest will be applied to the general program account.

A copy of the adjustment to each student's COD record must be sent to Shereé Porter within 45 days of the date of this letter.

F. Appendices

All appendices contain personally identifiable information and will be emailed to JTI as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file will be sent in a separate email.

- Appendix A: Student Sample
- Appendix B: Institutional File Review Results
- Appendix C: Program Review Report (PRR)
- Appendix D: Institutional PRR Response
- Appendix E: Estimated Actual Loss Calculations
- Appendix F: Cost of Funds Calculations
- Appendix G: FEDWIRE Form

Appendix A: Student Sample

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February 25, 2011

Ms. Ollie Hilliard, President
Jay's Technical Institute
9000 West Bellfort, Suite 110
Houston, TX 77031

Certified Mail
Return Receipt Requested

No. 7008 3230 0002 3155 7329

RE: Program Review Report
OPE ID: 03680300
PRCN: 201030627229

Dear Ms. Hilliard:

From June 21, 2010 through June 23, 2010, Mr. A. Michael Wade and Ms. Nancy Mapes conducted a review of Jay's Technical Institute (JTI's) administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The findings of that review are presented in the enclosed report.

Findings of noncompliance are referenced to the applicable statutes and regulations and specify the action required to comply with the statute and regulations. Please review the report and respond to each finding, indicating the corrective actions taken by JTI. The response should include a brief, written narrative for each finding that clearly states JTI's position regarding the finding and the corrective action taken to resolve the finding. Separate from the written narrative, JTI must provide supporting documentation as required in each finding.

Please note that pursuant to HEA section 498A(b), the Department is required to:

- (1) provide to the institution an adequate opportunity to review and respond to any preliminary program review report¹ and relevant materials related to the report before any final program review report is issued;
- (2) review and take into consideration an institution's response in any final program review report or audit determination, and include in the report or determination –
 - a. A written statement addressing the institution's response;
 - b. A written statement of the basis for such report or determination; and
 - c. A copy of the institution's response.

¹ A "preliminary" program review report is the program review report. The Department's final program review report is the Final Program Review Determination (FPRD).

Federal Student Aid, School Participation Team – Dallas

1999 Bryan Street, Suite 1430

Dallas, TX 75201

www.FederalStudentAid.ed.gov

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The Department considers the institution's response to be the written narrative (to include e-mail communication). Any supporting documentation submitted with the institution's written response will not be attached to the FPRD. However, it will be retained and available for inspection by JTI upon request. Copies of the program review report, the institution's response, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after the FPRD is issued.

The institution's response should be sent directly to Mr. Wade of this office within 90 calendar days with auditor attestation of receipt of this letter.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. To protect PII, the findings in the attached report do not contain any student PII. Instead, each finding references students only by a student number created by Federal Student Aid. The student numbers were assigned in Appendix A, Student Sample. Please see the enclosure Protection of Personally Identifiable Information for instructions regarding submission to the Department of required data / documents containing PII.

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims, or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. § 668.24(e).

We would like to express our appreciation for the courtesy and cooperation extended during the review. Please refer to the above Program Review Control Number (PRCN) in all correspondence relating to this report. If you have any questions concerning this report, please contact Mr. Wade at (214) 661-9490 or michael.wade@ed.gov.

Sincerely,

(b)(6)

Jesus Moya
Team Leader

cc: Jamie Babineaux, Financial Aid Administrator

Enclosure:
Protection of Personally Identifiable Information

PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip and are encrypted with AES encryption.

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Prepared for

Jay's Technical Institute



**START HERE
GO FURTHER
FEDERAL STUDENT AID**

OPE ID: 03680300

PRCN: 201030627229

Prepared by

U.S. Department of Education

Federal Student Aid

School Participation Team - Dallas

Program Review Report

February 25, 2011

1999 Bryan Street, Suite 1410
Dallas, TX 75201
www.FederalStudentAid.ed.gov

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Jay's Technical Institute
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Page 2

A. Institutional Information

Jay's Technical Institute
9000 West Bellfort, Suite 110
Houston, TX 77031

Type: Proprietary

Highest Level of Offering: Non-degree

Accrediting Agency: Council on Occupational Education

Current Student Enrollment: 130

% of Students Receiving Title IV: 98%

Title IV Participation: Postsecondary Education Participants System

2008-2009

Federal Pell Grant	\$ 516,140
Federal Family Education Loan (FFEL)	752,225

Default Rate FFEL/DL:	2007	47.3%
	2006	31.3%

B. Scope of Review

The U.S. Department of Education (the Department) conducted a program review at Jay's Technical Institute (JTI) from June 21, 2010, to June 25, 2010. The review was conducted by Mr. A. Michael Wade and Ms. Nancy Mapes.

The focus of the review was to determine JTI's compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of JTI's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2008-2009 and 2009-2010 award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and partial social security numbers of the students whose files were examined during the program review.

Disclaimer:

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning JTI's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve JTI of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects initial findings. These findings are not final. The Department will issue its final findings in a subsequent Final Program Review Determination letter.

C. Findings

During the review, several areas of noncompliance were noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by JTI to bring operations of the financial aid programs into compliance with the statutes and regulations.

Finding 1. Return To Title IV (R2T4) Calculation Errors

Citation: Federal regulations require that an institution determine the amount of Title IV, HEA assistance a student has earned as of his or her withdrawal date from the institution. If the amount of Title IV, HEA assistance the student has earned is less than the amount disbursed to that student, the difference between these amounts must be returned to the Title IV, HEA programs. The treatment of Title IV, HEA funds may be determined on either a payment period basis or a period of enrollment basis for a student enrolled in a nonstandard, term-based educational program. An institution must consistently use either a payment period or period of enrollment for all students who withdraw from a nonstandard, term-based program and who have attended from the beginning of that payment period or period of enrollment. 34 C.F.R. § 668.22

In addition, the Secretary considers that an institution has sufficient cash reserves if the institution returns, in a timely manner, unearned Title IV, HEA program funds that it is responsible for returning. If an institution fails to return funds in a timely manner for 5% or more of the students identified in an audit or program review sample, the institution must satisfy the reserve standard by submitting an irrevocable letter of credit (LOC) of 25% of the total amount of unearned Title IV, HEA program funds that the institution was required to return during the most recently completed fiscal year. 34 C.F.R. § 668.173

Noncompliance: JTI failed to calculate or accurately calculate the return of Title IV (R2T4) funds for all students who withdrew from the institution. JTI used the incorrect "hours scheduled to complete." For example, for student #15, JTI used 450 hours scheduled to complete and 450 total hours in the payment period in its calculation instead of the actual clock hours scheduled to have been completed as of the withdrawal date in the payment period.

Required Action: JTI must review the files of all students who withdrew during the 2007-2008, 2008-2009, and 2009-2010 award years, and complete the required R2T4 calculations correctly. JTI must compile the results of its file review in an Excel spreadsheet, as detailed below. The Excel spreadsheet must be provided, as indicated below in both hardcopy and electronic format:

- Student Name (Last, First)
- Student's social security number (last 4 digits)
- Last Date of Attendance (LDA)
- Withdrawal Date
- Return Amount Due (program and amount).

JTI must provide copies of the R2T4 calculation performed for each student. Further, JTI must review its internal procedures to ensure that all future R2T4 calculations are properly calculated.

Instructions for the repayment of any determined liability amount will be provided in the Final Program Review Determination Letter.

Due to this finding, JTI is required to submit an irrevocable LOC. If JTI has not already submitted its LOC, instructions for submitting the LOC will be sent to the institution under separate cover.

Finding 2. Return of Title IV Funds Made Late

Citation: An institution is required to return funds to the applicable Title IV, HEA program when a recipient withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance. During the 2008-2009 award year, the return of funds was required to be made as soon as possible but no later than 45 days after the date of determination that the student withdrew. *34 C.F.R. § 668.22(f)*

Noncompliance: JTI determined that Student #1's last date of attendance was October 16, 2009, and his withdrawal date was December 4, 2009. However, it appears the ineligible Pell funds disbursed to the student were not returned until June 14, 2010.

Required Action: JTI must provide proof that the return for Student #1 was made. If the return has not been made, instructions for the repayment liability will be provided in the Final Program Review Determination letter.

JTI must ascertain that returns are made timely.

Finding 3. Admission Policy Not Followed/Documented

Citation: To receive Title IV, HEA funds, a student must be qualified to study at the postsecondary level. A student qualifies if he/she:

- has a high school diploma (HSD);
- has the recognized equivalent of a high school diploma, such as a general education development (GED) certificate;
- has completed homeschooling at the secondary level; or
- has passed a Department approved ability-to-benefit (ATB) test.

A student may self-certify that he has received a high school diploma or GED or that he/she has completed secondary school through homeschooling as defined by state law.

If a student indicates on the FAFSA that he/she has a diploma or GED, your school isn't required to ask for a copy but, if your school requires one for admission, then your school

must rely on that copy of the diploma or GED and not on the student's certification alone.
34 C.F.R. § 668.32(e)

Noncompliance: As part of JTI's admissions process, students were required to submit a copy of either a HSD or GED certificate. For those students who did not have a HSD or GED, JTI accepted passing test scores from students who had taken the Wonderlic ATB test. The following student files did not have adequate documentation to show they had met JTI's admission requirements:

Student #1 -- JTI failed to document this student met its admission requirements (HSD, GED, etc.). JTI officials searched the Texas Education Agency's website "Texas GED Certificate Search." However, the search showed that "no GED certificate" could be found for this student.

Student #4 -- JTI failed to document this student met its admission requirements (HSD, GED, etc.). JTI officials searched the Texas Education Agency's website "Texas GED Certificate Search." The search showed "no certificate found." Also, JTI's Registration Checklist showed the institution had not received the student's "proof of education."

Required Action: JTI must provide copies of adequate admissions documentation for students #1 and #4. If JTI cannot provide the required documentation, all Title IV, HEA funds disbursed to each student will become a liability.

Due to the high percentage of errors discovered during the 2008-2009 award year, JTI must conduct a file review for every student enrolled to determine which student files do not have adequate documentation to show the student was properly admitted to JTI. For any students identified, as a result of this file review, JTI must submit the following information:

- Student's name
- Student's social security number (last 4 digits)
- Copy of admissions documentation (i.e. HSD, GED, ATB, etc.)
- Amount of Title IV aid received by program and award-year, if admissions documentation cannot be provided

If JTI is unable to provide adequate documentation for any student identified, as a result of this file review, JTI will be liable for the actual disbursement(s) to the student.

Finding 4. Improper Federal Family Education Loan (FFEL) Disbursement

Citation: If the program is one academic year or shorter, the loan period is usually the length of the program. If the program is longer than an academic year, there will be

another loan period for any subsequent academic year or remaining portion of an academic year.

For each loan period in these programs --

- the loan must be disbursed in at least two substantially equal amounts, with the first disbursement generally disbursed at or near the beginning of the loan period; and
- the second half of the loan proceeds may not be disbursed until the student has successfully completed half of the coursework and half of the weeks of instructional in the loan period.

The payment period for the remainder of a program less than or equal to one-half of an academic year is the remainder of the program. *34 C.F.R. §§ 668.164(b), 682.207, and 682.604(b)*

Noncompliance: The following students were improperly disbursed FFEL proceeds:

Student #8 --The student withdrew and only completed 211 clock hours at the time JTI credited the student's second subsidized Stafford loan disbursement of \$1,750.00 and a second \$2,000.00 unsubsidized Stafford loan disbursement on 07/22/2008.

Student #20 --The student was disbursed a second subsidized Stafford loan in the amount of \$1,732.50. However, the student had only completed 388 clock hours at the time he withdrew.

Neither of the students listed above reached the second payment period of 451-900 clock hours/26 weeks.

Required Action: JTI must return the ineligible FFEL disbursements to each student's lenders and provide adequate documentation (copy of cancelled check, front and back) in response the program review report.

Finding 5. Student Credit Balance Deficiencies

Citation: Whenever an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board, and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but--

- no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or

- no later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. 34
C.F. R. §§ 668.164(e) and 668.165(b)

Noncompliance: JTI failed to pay credit balances in accordance with the Department's regulations. The following students did not have signed credit balance authorization forms on file:

Student #6 – JTI credited a \$1,980 unsubsidized Stafford loan and a \$1,732.50 subsidized Stafford loan to the student's account on June 27, 2009, creating a credit balance of \$2,756 after the student's educational costs were paid. A "student refund" check was issued on July 21, 2009.

Student #7 – The student's account was credited with a \$1,990 unsubsidized Stafford loan on October 20, 2009, creating a credit balance of \$428.50 after the student's educational costs were paid. JTI issued a "student refund" check on April 1, 2010.

Student #10 – A Federal Pell Grant payment of \$1,690 was credited to the student's account on June 3, 2009. After the student's educational costs were paid, JTI issued a "student refund" check in the amount of \$1,406 on September 22, 2009.

Student #18 – The student's account was credited with a \$1,233 Federal Pell Grant on September 17, 2009. However, the student's account was not charged with educational expenses until \$45 was charged on October 21, 2009 and \$60 was charged on November 11, 2009. JTI should have returned the student's credit balance no later than October 1, 2009. JTI issued a \$1,128 "student refund" check on November 25, 2009.

Student #30 – The student received a Federal Pell Grant payment of \$1,533 on August 19, 2009, after the student's educational costs were paid. However, the "student refund" check wasn't issued by JTI until September 30, 2009.

Required Action: JTI must complete a file review for the 2008-2009 and 2009-2010 award years for all students and determine which students had a credit balance and did not have a signed credit balance authorization form on file. In response to the program review report, provide the following information for those students.

- Student's name
- Student's social security number (last 4 digits)
- Copy of student's "Account Detail" ledger
- Beginning date of credit balance and amount
- Date credit balance ("student refund") was paid to student and amount
- Copy of cancelled check (front and back) issued to student for the credit balance

Additionally, JTI must create a policy describing how it will ensure that credit balances are paid to the student or parent as soon as possible but no later than 14 days or that JTI has a signed credit balance authorization form for the student on file. A copy of this policy must be submitted in response to this report.

Finding 6: Pell -- Ineligible Pell Disbursement

Citation: The amount of a student's Federal Pell Grant for an academic year is based upon the payment and disbursement schedules published by the Secretary for each award year. *34 C.F.R. § 690.62*

Noncompliance: JTI disbursed a total of \$5,350 in Federal Pell Grant funds to student #26. However, the student earned a total of 62.95 clock hours as of his last date of attendance of February 20, 2010. Therefore, student #26 was not eligible for the second Federal Pell Grant disbursement of \$2,675.

Required Action: JTI must provide proof that it returned \$2,675 for student #26. If the return has not been made, instructions for the repayment liability will be provided in the Final Program Review Determination letter.

Finding 7: Ineligible Student -- Selective Service Registration Inadequate

Citation: To be eligible to receive Title IV, HEA funds, a male student who is subject to registration with the Selective Service must register with the Selective Service. If the student was not required to be registered, the student must provide documentation that he was not required to do so. *Section 484(n) of the HEA, 20 U.S.C. § 1091(a)(5); 34 C.F.R. §§ 668.32(f) and 668.37.*

An institution may determine that a student who was required to register, but who did not, may still be eligible to receive Title IV, HEA funds, if the student can demonstrate by submitting clear, unambiguous evidence to the institution that:

- He was unable to present himself for registration for reasons beyond his control such as hospitalization, incarceration, or institutionalization; or
- He is over 26 and when he was between 18 and 26 he did not knowingly and willfully fail to register.

Further, for the purpose of the second item above, an institution may consider that a student did not knowingly and willfully fail to register with Selective Service only if the student submits to the institution an advisory opinion from the Selective Service that does not dispute the student's claim that he did not knowingly and willfully fail to register, and if the institution does not have other incontrovertible evidence that the student knowingly and willfully failed to register.